



The President's Daily Brief

November 13, 1976

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FOR THE PRESIDENT ONLY

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EGYPT-USSR: Egypt is taking a hopeful but cautious approach to recent Egyptian-Soviet contacts. Cairo seems anxious that the incoming US administration notice these contacts but not interpret them as foreshadowing a radical turn to close Egyptian ties with Moscow.

Foreign Minister Fahmi told Ambassador Eilts on Wednesday that he had raised the issue of resumed deliveries of arms and spare parts during his talks last week with Soviet Foreign Minister Gromyko. Fahmi explicitly requested that Washington be informed that no agreement on Soviet deliveries had resulted from the meeting. Actually, agreement on deliveries is not normally reached at ministerial meetings but in discussions among technical experts.

The Soviets have probably not closed the door to further exploration of the arms question, and the Egyptians will want to keep the US in some suspense on the matter until it is resolved one way or the other.

Cairo is also interested in using its ties with Moscow to exert pressure on the US to reopen peace negotiations early next year.

Fahmi endorsed last week's Egyptian-Soviet communique advocating the "quick resumption" of the conference and asserting that the Middle East situation had been the "primary" topic of discussion.

Fahmi has attempted since last summer to bring about some thaw in Egyptian-Soviet relations, specifically in order to open an additional Egyptian option in the event a new US administration should alter US Middle East policy. At the same time, Egyptian leaders want to avoid giving the US the impression that they have written off Washington as a useful ally under President-elect Carter's administration.

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In conversations with Ambassador Eilts, for instance, Fahmi has described the Soviet initiative on the Geneva peace conference as merely a propaganda ploy.

The Egyptians want more amicable ties with Moscow for both practical and propaganda purposes, but they want to make sure that any meaningful improvement in those ties comes with minimal political strings.

In a clear effort to signal this to Moscow, President Sadat told the new Egyptian cabinet on Wednesday that he welcomes improved relations with the Soviets, but that "he who wants to deal with us must deal with us as we are and not as he wants us to be."

* * *

ITALY: Prime Minister Andreotti survived a parliamentary confidence vote on his latest batch of austerity measures yesterday, mainly because he left unresolved the most controversial economic problem facing the government--how to limit the country's soaring labor costs.

Andreotti declined to make a specific proposal on the issue, calling instead for industry and organized labor--in which the Communist Party plays a leading role--to come up with a negotiated solution within a month.

The measures that were approved are designed to raise to about \$6 billion the amount that the government plans to take in through the austerity program. These steps, aimed at curbing the government's deficit, will not by themselves solve Italy's economic problems.

A way must also be found to diminish the inflationary impact of the country's wage index system, under which the wages of most workers rise automatically in response to any increase registered by the cost-of-living index. Most observers, including Italy's potential foreign creditors such as the EC, maintain that modification of this system is essential to the success of the stabilization effort.

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Andreotti's reluctance to submit to parliament his wage proposals--one of which calls for freezing or reducing automatic increases for the upper 20 percent of wage earners--stems from the stiff resistance encountered among the trade unions. Had Andreotti insisted that parliament consider the wage issue this week, he would have forced the Communists to choose between offending their rank and file in the labor movement or bringing down the government, which the Communists do not want to do in present circumstances.

By calling on industry and labor to negotiate a solution to the wage issue, Andreotti has placed on the Communists much of the burden for hammering out a policy in this key area.

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ETHIOPIA-USSR-CHINA:

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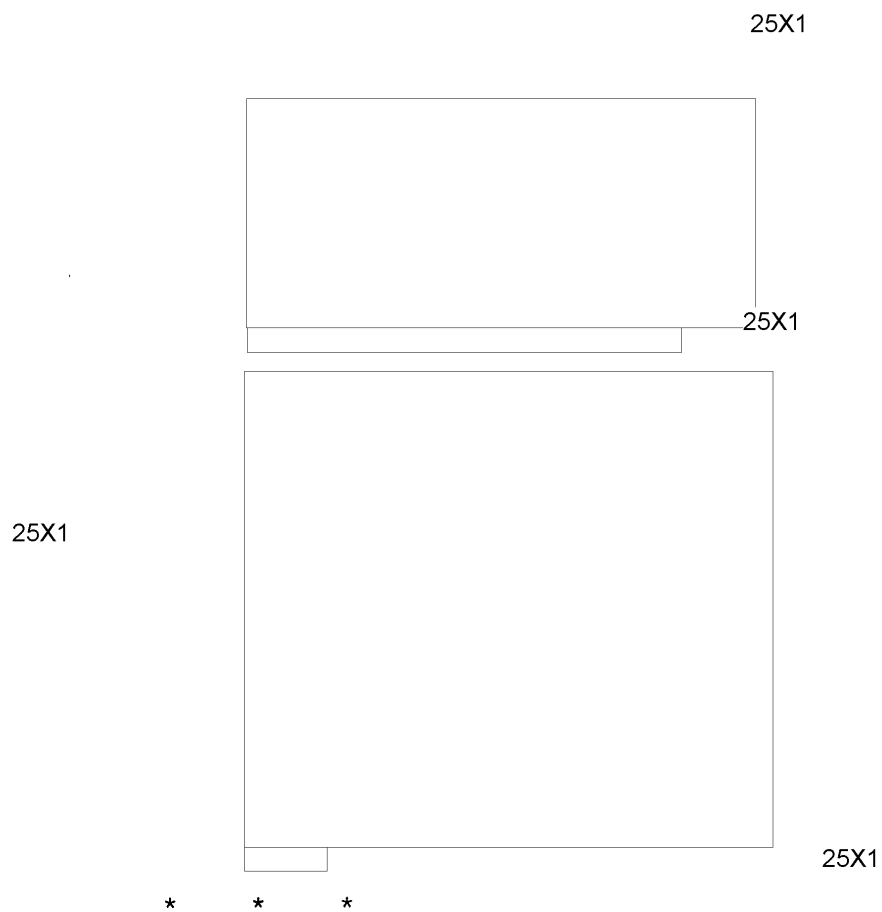
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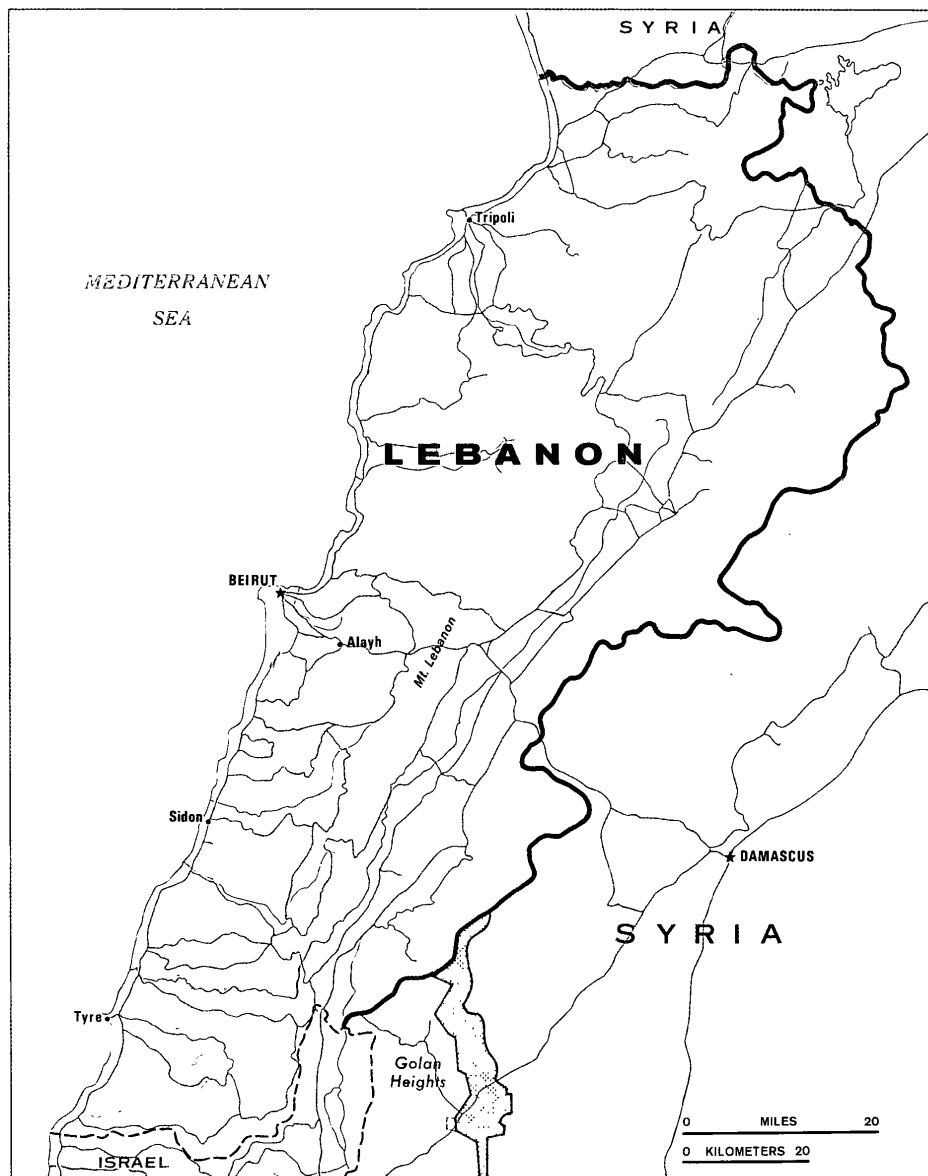
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NOTES

Syrian peacekeeping units in Lebanon have delayed their entry into Beirut for at least a day.

The Syrians may be awaiting the arrival of security force contingents from Saudi Arabia and the United Arab Emirates in order to give the operation a more pan-Arab character. The delay may also reflect Christian insistence that the Syrians move into Sidon and Tripoli before taking up positions along Beirut's confrontation line.

Security force commander al-Hajj asked Palestinian military leaders on Thursday to collect their heavy weapons in order to minimize incidents with the advancing security troops; apparently he did not ask them to turn in their weapons. The fedayeen reportedly have been caching their heavy weapons in underground depots at the refugee camps south of Beirut to avoid their confiscation.

Shelling continued yesterday in both east and west Beirut as well as in the southern suburbs.

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Relations between Zaire and the USSR, brought to the verge of a diplomatic break during the Angolan war, appear to be on the mend.

According to the US embassy in Kinshasa, the Soviet ambassador to Zaire returned recently from consultations in Moscow with instructions to strengthen relations and particularly to facilitate early signature of cultural and commercial accords.

President Mobutu sent Soviet President Podgorny a congratulatory message on the anniversary of the October revolution--something he

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did not do last year--in which he expressed the wish to strengthen cooperative relations. The Zairian minister of commerce is preparing for a trip to Moscow to sign a commercial agreement.

Mobutu will probably move only gradually in improving relations with Moscow, given his long-standing suspicion of Soviet intentions in Africa. At the same time, Mobutu presumably believes he must make some accommodation with the Soviet position in Angola and the good relations the USSR has with most of Mobutu's other neighbors. Mobutu also hopes to discourage Soviet or Angolan support for Zairian dissidents, many of whom have congregated in Angola.

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The Spanish government appears increasingly confident that its constitutional reforms will be approved by parliament without major revision.

The government has been busy applying pressure to the 300-odd fence-sitters in parliament. Deputy Prime Minister Osorio recently confided to a US official that the legislation has been discussed individually and "negotiated" with almost every member of parliament.



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